

**MINUTES OF REGULAR MEETING
ILLINOIS GAMING BOARD
MARCH 17, 1998
CHICAGO, ILLINOIS**

NOTE: ITEMS IN **BOLDFACE PRINT** REFLECT OFFICIAL BOARD ACTIONS

The Illinois Gaming Board ("Board") held its Regular Meeting on March 17, 1998 in the auditorium on the 5th floor of the State of Illinois Building, Chicago, Illinois, pursuant to the Illinois Open Meetings Act, 5 ILCS 120.

The following Board Members were present: J. Thomas Johnson, Chairman; and Members William B. Browder, Gayl S. Pyatt and Robert F. Vickrey.

Also in attendance were: Administrator Michael A. Belletire, Deputy Administrators Joseph Haughey, Kevin Lockhart, and Thomas Swoik, Chief Legal Counsel Mareile' B. Cusack, other members of the staff, the media, the general public and interested parties.

Chairman Johnson called the meeting to order at 9:30 a.m. Member Browder moved **that the Board retire to Closed Session pursuant to Section 2(c), paragraphs (1), (4), (11), (14) and (21) of the Open Meetings Act, to discuss the following subject matters:**

- 1. Issues Concerning Applicants and Licensees**
- 2. Recommendations of Administrative Law Judges**
- 3. Investigatory Matters**
- 4. Personnel Matters**
- 5. Closed Session Minutes**

Member Pyatt seconded the motion. The Board adopted the motion by unanimous consent.

The Board convened in Open Session at 12:10 p.m.

Board Minutes

Member Pyatt moved **that the Board approve the minutes from the open and closed sessions of the February 17, 1998 regular meeting and that the Closed Session minutes of the Illinois Gaming Board from July, 1997 through January, 1998, for which the need for confidentiality no longer exists, be made available for public inspection as required by the Open Meetings Act.** Member Browder seconded the motion. The Board approved the motion unanimously by voice vote.

Chairman's Report

The Chairman announced the April Board meeting would not be held on Tuesday, April 21. The meeting date has been rescheduled to Wednesday, April 22.

The Chairman reported that a new hearing officer has been appointed in the matter of the license renewal for HP, Inc. The new hearing officer, Royal Martin, is a Chicago attorney. Mr. Martin is in contact with the parties to begin the hearing process.

Administrator's Report

Administrator Belletire summarized the following monthly statistical reports: Adjusted Gross Receipts; Underage Patrons; Cruise Disruptions/Cancellations; Credit Issuance; and, Internal Control System changes. The Administrator advised the Board that the Par-A-Dice riverboat was docked by the U.S. Coast Guard for at least 30 days due to potential damage to the hull. During a routine examination a crease (but not a leak) was found in the hull and work is being done to ascertain the amount of damage. The riverboat has been allowed to continue gambling while the vessel is docked.

The Administrator also reported that:

- Nancy Mohr Kennedy, Executive Director of the National Gambling Impact Study Commission has written to acknowledge a letter sent on behalf of the Board regarding the Commission's May 20 & 21 meeting here in Chicago.
- The Lake County group that made a presentation to the Board in February and was denied an owner's license did not request a hearing.
- The Illinois Casino Gaming Association, along with Bensinger DuPont & Associates has requested to make a presentation at the April Board meeting.

The Administrator announced that Kevin Lockhart, Deputy Administrator of Audit, has accepted employment with a private sector firm. Mr. Belletire thanked Kevin for his dedication and hard work. The Administrator stated that an interim appointment will be made by the end of March to assume Kevin's duties. In addition to the interim appointment, Doug Bybee a member of the Springfield staff, will assume a position where he will work on in-house financial analysis. Staff is currently in the process of soliciting for outside financial analysis assistance to help staff on large scale financial work.

The Administrator also stated that nine firms have responded to a solicitation for compliance audit work. This work is completed quarterly by outside audit firms under contract to the Board paid for by licensees.

The Chairman thanked Mr. Lockhart for his service to the Board and wished him well in his future career.

Owner Licensee Items

ELGIN RIVERBOAT RESORT (“ERR”) - Donna More, representing ERR, requested approval to transfer holdings of the Jay Arthur Trust, a limited partnership interest in the RBG, LP, to three newly created trusts to benefit three of his children. Ms. More further requested a waiver of the two meeting rule.

Administrator Belletire reported that staff has reviewed the partnership agreement and reported that adequate safeguards are in place to assure limitations on any involvement of individuals that are found unacceptable by the Gaming Board. The Administrator stated that staff has requested a Form 1 be completed by the trustee. Ms. More stated that the trustee is in the process of completing the requisite application.

Chairman Johnson asked Ms. More to reiterate the reason for immediate consideration of this transfer. Ms. More stated that due to Mr. Pritzker’s advancing age and health problems he feels it is a good time to put his affairs in order.

Member Vickrey moved **that the Board waive the two meeting rule to consider the proposed RBG, LP transfer of ownership interest.** Member Pyatt seconded the motion. The Board approved the motion unanimously by voice vote.

Member Vickrey moved **that the Board approve the transfer of 20 percent of the limited partnership interest in RBG, LP currently owned by the Jay A. Pritzker Trust to the three newly-created Hoinfad Trusts, Numbers 1, 2 and 3. This approval is subject to the Board’s approval of any new Key Persons resulting from this transfer of ownership.** Member Pyatt seconded the motion. The Board approved the motion unanimously by voice vote.

ALTON GAMING COMPANY - Don Malloy, representing Alton, requested initial consideration for a private placement financing at the parent company level, Argosy Gaming Company. The terms are currently being negotiated and preliminary terms have been sent to staff for review. The purchaser of the private placement will be one to five institutional investors.

PAR-A-DICE GAMING COMPANY (“PGC”) and SOUTHERN ILLINOIS RIVERBOAT CASINO CRUISES (“SIRCC”) - Dave Daley, representing PGC, and Mike Ficaro, representing SIRCC, requested approval for a waiver under Board rule 3000.260 from the requirement to license hotel employees. Mr. Ficaro asked for a waiver of the rule and stated that none of the employees from the Players hotel are employed at the riverboat facility. Mr. Daley stated that PGC’s request is for a waiver of employees who perform activities that are unrelated to the gaming business and who are physically separate from the gaming operation.

Administrator Belletire stated that staff looked at several issues in evaluating this request. Staff evaluated whether employees traveled back and forth between the gaming operation and the hotel; whether or not there was any potential for questionable figures to be allowed to have some degree

of influence or involvement with gaming related operations; and, the conditions of payments were looked at to insure that they were arms length transactions.

Member Vickrey asked Mr. Daley if PGC had any employees at the hotel who work at the casino. Mr. Daley stated no but reported PGC has asked to license some hotel employees so that there can be cross over. Currently the cross over is from the pavilion to the hotel, not vice versa.

Member Browder moved **that the Board approve the proposed resolution submitted by staff at this March meeting on behalf of Par-A-Dice and Players and waive the occupational licensing requirements for those hotel employees specified in the resolution.** Member Pyatt seconded the motion. The Board approved the motion unanimously by voice vote. (Resolution Attached)

EMPRESS CASINO JOLIET - Mike Hansen, representing Empress, requested a waiver of rule 3000.510 to overhaul the number two generator on Empress I and to conduct an underwater hull survey. Mr. Hansen stated that Empress has been attempting to obtain a waiver from the US Coast Guard in Washington to avoid doing an underwater hull survey. The Coast Guard has not waived the requirement so Empress has contracted with Specialty Diving of Louisiana to commence with the referenced work.

Member Pyatt moved **that the Board approve Empress' request for a waiver of Board rule 3000.510 to allow Empress to conduct gaming and remain dockside while Empress is conducting an underwater hull inspection and an overhaul of the starboard second generator set.** Member Browder seconded the motion. The Board approved the motion unanimously by voice vote.

ALTON GAMING COMPANY - Don Malloy, representing Alton, requested approval of Larry Doiron as Director of Surveillance.

Member Vickrey moved **that the Board approve Larry Doiron as a Level 1 Occupational Licensee of Alton Gaming Company.** Member Browder seconded the motion. The Board approved the motion unanimously by voice vote.

ELGIN RIVERBOAT RESORT ("ERR") - Donna More, representing ERR, requested approval of Pedro Dominguez as Casino Manager.

Member Pyatt moved **that the Board approve Pedro Dominguez as a Level 1 Occupational Licensee of Elgin Riverboat Resort.** Member Browder seconded the motion. The Board approved the motion unanimously by voice vote.

SOUTHERN ILLINOIS RIVERBOAT CASINO CRUISES ("SIRCC") - Mike Ficaro, representing SIRCC, requested approval of James Stevens as Chief of Surveillance.

Member Pyatt moved **that the Board approve James D. Stevens as a Level 1 Occupational Licensee of Players Island Casino.** Member Browder seconded the motion. The Board approved the motion unanimously by voice vote.

Supplier Licenses

ATRONIC CASINO TECHNOLOGY, INC. (“Atronic”) - Rick Trachok, representing Atronic, requested approval of its supplier’s license.

Member Vickrey moved **that the Board approve Atronic Casino Technology, Inc.’s application for renewal of its supplier’s license. This license is issued for a period of four years, expiring March, 2002.** Member Browder seconded the motion. The Board approved the motion unanimously by voice vote.

UNIVERSAL DISTRIBUTING OF NEVADA, INC. (“Universal”) - Donna More, representing Universal, requested approval of Hiroshi Fujisawa as a Key Person.

Member Browder moved **that the Board approve Hiroshi Fujisawa as a Key Person of Universal Distributing of Nevada, Inc.** Member Pyatt seconded the motion. The Board approved the motion unanimously by voice vote.

Occupational Licenses

Member Vickrey moved **that the Board approve 46 applications for an Occupational License, Level 2, and 173 applications for an Occupational License, Level 3, and deny 1 application for an Occupational License, Level 2, and 4 applications for an Occupational License, Level 3.** Member Pyatt seconded the motion. The Board approved the motion unanimously by voice vote.

Administrative Hearings/ALJ Reports

Administrator Belletire reported on the findings of the three member panel that investigated the issue of the “fair market value” of the Baise/Lucas contracts. The Administrator read from the Panel Findings the following conclusion:

Based upon relevant facts, circumstances and information before the Panel and relevant business and industry methodologies, practices and customs, the Panel finds that the value of the consideration provided in the agreements between the Owners and Lucas and Baise is within a range of commercial reasonableness and therefore, not in excess of fair market value of services provided.

The Administrator further stated that the report provided by the Panel includes expert opinions provided by parties to the agreement. He further stated that all parties involved cooperated and

agreed to be bound by the outcome of the Panel. Staff recommend that the report be adopted by the Board.

The Administrator further reported that in the fall of 1996, the Board approved and staff submitted to the Governor's Office and subsequently to the General Assembly, legislation that covered what to do with circumstances such as the above. In the draft legislation, that has never gone beyond a committee in the General Assembly, provisions drafted would have prevented the issue from arising. There would have been authority for the Board to nullify agreements of a business nature that tie into ownership interests or implications. There were also provisions in the pending legislation that would have made it improper for the parties to have entered into this agreement without prior notification to the Board.

Member Vickrey moved **that the Board accept the findings and conclusions reached by the three person hearing panel concerning the fair market value of the contracts between certain shareholders of Casino Queen, Inc., and Gregory Baise and Lawrence Lucas.** Member Browder seconded the motion. The Board approved the motion unanimously by voice vote.

Member Pyatt moved **that the Board approve Brian Henryson's Level 2 Occupational License nunc pro tunc to January 17, 1995.** Member Browder seconded the motion. The Board approved the motion unanimously by voice vote.

Board Policy Items

KEY PERSON POLICY CHANGE

The Administrator recommended that the Board consider policy changes which refocus and restructure the approach of regulating those currently classified as Key Persons of owner and supplier licenses. The Administrator proposed that the Board:

- Reduce the number of individuals classified as Key Person, focusing attention on those exercising substantial control or ownership;
- Codify, in rule and regulations, various Key Person policies, requirements and procedures;
- Maintain and clarify the Board's ability to obtain personal disclosure information and conduct background investigations on other than Key Persons;
- Strengthen the Board's enforcement requirements for those isolated instances where a Key Person or shareholder should be required to disassociate from a licensee or, in the case of a Key Person, be subject to fines as a disciplinary measure.

The current definition of "Key Person" utilized by the Board has lead to more than 250 individuals and business entities holding this status. Many of these individuals do not exert meaningful control or influence, directly or indirectly, over the integrity or conduct of riverboat

gambling in Illinois. Individuals with substantive involvement or ties to Illinois licensees remain subject to the comprehensive personal disclosure and investigation requirements imposed upon all Key Persons. Staff estimates that upwards of half of the current complement of licensee Key Persons are individuals for whom less rigorous oversight is warranted.

Chairman Johnson stated that he would like to walk through some “what if” scenarios with the Administrator before he makes a decision. The Chairman stated that he is concerned that a company may restructure its organization to get around the regulatory requirement.

The Administrator responded that a discrete series of “decision rules” would be in place to head off possibilities of avoiding the rules. A Key Person “catch all” rule was also written that states *“All other individuals or business entities that, upon review of the applicant or licensee’s Table of Organization, Ownership and Control ... the Board determines hold a position or a level of ownership, control or influence that is material to the regulatory concerns and obligations of the Board ...”*.

The Chairman also commented on the trustee relationships and the clarification the proposed rules provide.

Member Pyatt complemented the Administrator and staff who worked on the proposed Key Person rules. She stated that the rules are flexible and allow the Board to exert authority as needed without regulating in an over-broad manner. Member Vickrey concurred with Member Pyatt but expressed concern with reducing the number of individuals the Board will investigate.

The Administrator explained the “optional” application and how it would apply. He gave further guidance and stated that any member of a Board of Directors of a licensee would be required to file; anyone who is in management and who is on a Board of Directors of a parent company would be considered a Key Person; any member of a Board of Directors of a parent company that is a 5 percent or more shareholder; and, any individual who held 10 percent or more of shares of a parent company, irrespective of whether or not they were on the Board of Directors, was presumed to be able to exert substantial influence. Staff tried to create concepts so that the Board could use its flexibility and discretion.

RULES

The Administrator requested approval of the initial filing and public comment of various rules.

Member Vickrey moved **that the Board approve the initial filing with the Secretary of State of the following proposed definitions and rules:**

- **The revised definition of “Junketeers”, and the added definitions of the terms “Parent Company”, “Person” and “Substantial Owner”;**
- **Proposed Board rule 3000.105, and**
- **The Proposed revisions to Board rules 3000.200, 3000.210, 3000.245, 3000.660, and 3000.800.**

I further move that the Board direct the Administrator to distribute to licensees and their representatives the proposed definitions and rules relating to “Key Persons” and report the industry’s comments to the Board at the April meeting.

Member Pyatt seconded the motion. The Board approved the motion unanimously by voice vote.

The Administrator also requested that the Board approve the second notice filing of proposed rules that parallel the emergency rule filing on the graduated wagering tax. No public comment was received on this rulemaking.

Member Browder moved **that the Board approve the second notice filing of Board rule 3000.1071 with the Joint Committee on Administrative Rules.** Member Pyatt seconded the motion. The Board approved the motion unanimously by voice vote.

PUBLIC COMMENTARY

Chris Anderson, representing the Illinois Council on Problem and Compulsive Gambling, addressed several issues while referring to the Illinois Gaming Board’s 1991 Annual Report and Wagering Study. Mr. Anderson addressed the current state of compulsive gambling and asked the Board to: 1) Issue a rule requiring all Illinois casinos to print the helpline phone number on all print media at or near every entrance, exit and credit location; 2) Create a uniform volunteer banning procedure; 3) Establish a more formal study of the issues consistent with the language in the 1991 Annual Report; and, 4) Look into why there is no public advertising for the treatment and funding of compulsive gambling.

Chairman Johnson stated that representatives from Bensinger DuPont and the Illinois Casino Gaming Association will address the Board at the April meeting to update the Board on what the industry is doing in the above areas.

Member Pyatt asked the Administrator if the licensees are complying with the legislation regarding the posting of signs at specified locations listing the helpline number. The

Administrator stated that it is the responsibility of the Illinois Department of Alcoholism and Substance Abuse (“DASA”) to enforce the legislation passed on this issue. He further stated that to his knowledge all licensees are in compliance with the legislation.

The Administrator stated that he met with the Department of Lottery, DASA, the Illinois Racing Board and representatives of the horse racing industry. The purpose of the meeting was to get the same kind of response going from all gaming industries as was going on in the riverboat industry. The meeting was informal but progress was made. For example, on the back of each Lottery ticket is an 800 number that allows the caller to be linked to compulsive gambling assistance.

There being no further business to come before the Board, Member Pyatt moved **that the Board stand adjourned.** Member Browder seconded the motion. The Board approved the motion unanimously by voice vote and adjourned at 1:50 p.m.

Respectfully submitted,

Susan O. Weber
Secretary of the Board

ATTACHMENT 1

RESOLUTION

WHEREAS, Players Island Casino has requested the Board to waive the licensure requirements under Board rule 3000.200 for all employees of Players Riverboat Hotel and Par-A-Dice Gaming Corporation has requested a similar waiver of the licensure requirements for certain Level 3 employees of the East Peoria Hotel Limited Partnership; and

WHEREAS, rule 3000.200(c) requires all employees of a “riverboat gaming operation” to have an occupational license, and under rule 3000.100 definitions of “Riverboat Gaming Operation” and “Support Facility” the employees of the land-based hotel are required to be licensed; and

WHEREAS, the duties of all of the hotel employees of Player’s Riverboat Hotel and certain Level 3 employees of the East Peoria Hotel do not require these employees to enter the riverboat or work at any other gaming-related facilities; and

WHEREAS, the Board has determined that no regulatory purpose is served by requiring the occupational licensure of all employees of the hotels and that it is in the best interest of the public and industry for the Board to waive the licensing requirements with respect to those hotel employees who do not enter the riverboat or otherwise work at a gaming related facility;

NOW THEREFORE BE IT RESOLVED, that pursuant to Board rule 3000.260 the Board hereby waives the occupational licensing requirement of rule 3000.200(c) for all employees of Players Riverboat Hotel.

BE IT FURTHER RESOLVED that the Board hereby waives the occupational licensing requirements of Board rule 3000.200(c)(3) for the following Level 3 employees of the East Peoria Hotel:

- Custodians;
- Guest Room Attendants;
- Cashiers/Clerks;
- Night Auditors;
- PBX Operators; and,
- Retail Clerks

MOREOVER, BE IT RESOLVED that the waivers of the licensure requirement for employees of the Players and East Peoria hotel are subject to the requirement that Players and Par-A-Dice immediately notify the Board of any changes which may cause the Board to reconsider or amend these waivers of the licensure requirement.